GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2123
ANSWERED ON:15.03.2002
FIS MONEY IN ENRON
RAM JEEVAN SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether the Enron which promoted Dabhol Power Corporation has collapsed;

(b) if so, whether Enron owes a huge amount to Indian public sector financial institutions;

(c) if so, the total public money involved in Enron, institutions-wise;

(d) the safeguards available to public sectors FIs to recover their money;

(e) whether the Government have directed the public sector FIs to take all necessaryaction available under the law to get back the money;

(f) if so, the details thereof; and

(g) if not the reasons for not taking effective steps to recover the public money?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL):

(a) Enron Corporation and certain of its affiliates (not including Dabhol Power Company till date)have filed a petition under Chapter 11 of the United States Code (Bankruptcy Code).

(b) and (c) The financial institutions have no exposure in Enron, as such. However,the financial institutions have granted financial assistance to Oabhol Power Company, which is an Indian company in which Enron Corporation of USA has an indirect interest by way of investment in equity through its various investment companies.

(d) With regard to filing of cases by Enron Corporation under the US Bankruptcy laws,IOBI is advised that the reported bankruptcy proceedings against Enron Corp. USA underthe US law, have no impact on OPC or OPC`s assets and as such the same do not affect the security interest of OPC lenders. The security available to the lenders of OPC include:

(i) a first mortgage and charge on all movable and immovable assets of the company;

(ii) assignment of all rights, titles and interests of the company, into and under all asses of the project and all project documents (all project contracts including PPA), insurance policies, permits/approvals etc. to which the company is a part and all other contracts relating to the project;

(iii) first charge on all the company`s account including but not limited to Trust and Retention Account and the Debt Service Reserve Account; and

(iv) pledge of entire share holding in OPC of Enron affiliates and Maharashtra Power DevelopmentCorporation Limited (MPOCL), (Maharashtra State Electricity Board Subsidiary) (aggregating 80% ofthe paid-up capital) and negative pledge (non-disposal of shares of 20% of the shares held by GE (10%) & Bechtel (10%).

(e) to (g) FIs/Banks are themselves competent to take action to protect their interest. In view of the intension of off-shore sponsors to exit from the project, the lenders are facilitating the bid process for sale of interest of offshore sponsors in the project. IOBI issued an advertisement inviting expressions of interest from domestic and overseas corporations for acquiring the interest of the off-shore sponsors in the company.